

## **MINUTES**

### **MONTANA HOUSE OF REPRESENTATIVES 56th LEGISLATURE - REGULAR SESSION**

#### **SELECT COMMITTEE ON JOBS AND INCOME**

**Call to Order:** By Chairman Bob DePratu, on December 30, 1998, at 8:30 A.M., in Room 104.

#### **ROLL CALL**

##### **Members Present:**

Sen. Bob DePratu, SD 40, Chairman (R)  
Rep. Karl Ohs, HD 33, Vice Chairman (R)  
Sen. Jon Tester, SD 45, (D)  
Sen. Lorents Grosfield, SD 13, (R)  
Rep. Bruce Simon, HD 18, (R)  
Rep. Emily Swanson, HD 30 (D)  
Sen. Mike Taylor, SD 37 (R)  
Rep. Doug Mood, HD 58, (R)  
Rep. Carly Tuss, HD 46, (D)  
Sen. Mignon Waterman, SD 26, (D)

**Staff Present:** Gordon Higgins, Legislative Services Division  
Deb Thompson, Committee Secretary

Minutes are condensed and Paraphrased. Cross referencing can be done through tape notations.

**Committee Meeting Dates:** Monday, January 4, 4:00 p.m. Rm 325  
Tuesday, January 5, 10:00 a.m. Rm 325  
Tuesday, January 5, 2:00 p.m. Rm 325

#### **MEETING ON JOBS AND INCOME PROPOSALS**

##### **LC 1240 and 1241**

Gordon Higgins presented LC 1240 regarding the establishment of an annual funding cycle for the Treasure State Endowment Program **EXHIBIT(joh00a01)**, **EXHIBIT(joh00a02)**. The changes would move to an annual process rather than biennial. Rather than submitting a list of recommended projects to the Governor, the list submitted

by the Department of Commerce would be given to the newly created board of economic revitalization.

Alec Hansen, representing Montana League of Cities and Towns, spoke about the importance of annual approval. This annual approval would improve the timing of the projects. It would coordinate all the elements that go into building a water or sewer project where they begin to serve people. These elements would include getting the project from the drawing board, dealing with federal grants and loans, and an important consideration now would be rate increase elections. These rate increase elections would be an important element in the funding process because of CI-75. The election would be in June which creates another timing problem. The issue of bond elections, all the planning and project development has to be done. The construction season needs timing around the weather which creates another problem. This proposal will help maintain legislative control. The new board of economic development will have an opportunity to review these grants. The odd number of years when the Legislature is in Session the grants would still go to the Legislature. Even number of years the grant proposals would be reviewed by the new board. The benefits would be the timing, funding and coordination of projects which will save some interest money, reduce construction costs by moving these forward one year, will create some jobs yearly and improve the overall efficiency of the Treasure State Endowment Program.

Rep Simon noted it was not clear that the board had the authority to approve those projects. Higgins replied the board was being substituted for the Governor. The approval needed to be with the Legislature for the funding aspect, for final approval. He was unclear if the board could have the final decision.

**{Tape : 1; Side : A; Approx. Time Counter : 7.6}**

Rep. Simon said he thought the intent was for the board to have the authority to approve those projects. The Legislature may need to, on a biennial basis, approve the funding available. This bill does not say that, which was the intent. He suggested looking at this again since it did not accomplish giving the authority to the board to approve the project. He pointed out the Coal Board approved grants all the time for infrastructure projects and have for years. If the board bill did not pass then this bill would become moot. Higgins replied that would be correct. A coordination with reference to the board and a contingency provision would be needed.

Blouke clarified the process needed to be expedited. Continuing legislative input was necessary, especially for approving initial appropriation levels.

Rep. Swanson asked about the board's ability to appropriate funds. Rep. Simon said there were several examples - grants were offered by the Board of Crime Control, Coal Board and a number of other boards which would be no different. Higgins said he would look at the structure of these boards and make sure this followed the appropriate standard.

Sen. Waterman noted the importance of having the board approve grants every year. Bouncing grants back and forth to the Legislature every other year would be inefficient. The Legislature appropriates, the board grants. Rep. Simon noted there were two different bill drafts and there was an attempt to do this in the second bill. Higgins said this would be LC 1241 which deals with this issue through the finance committee, which is more of a certification process. Chairman DePratu asked if it was possible to combine these. Higgins said the difference between the two is 1241 was requested by Sen. Grosfield to have the projects move through on an annual basis and go first to the Legislative Finance Committee. He noted the Legislative Finance Committee would certify the projects, which would then go to the Legislature for final approval. If the committee thinks the projects should be sent from the Department of Commerce to the finance committee and then have the board of economic revitalization grant the money that had been appropriated.

Sen. Waterman asked if it was possible to meld the two bills and still solve the problem if the board bill fails, the process would still be in place rather than refer back to the biennial system. She pointed out that if granting ability was in use by the Coal Board then it should be available to this new board.

Sen. Taylor stated he was in favor of taking the money and giving it to the revitalization board and letting them make the final decision on it and bypassing the finance committee. Strengthening the committee was important, giving them the recognition that they are not just a quasi-board with no authority.

Rep. Ohs clarified that the committee wanted a bill that would authorize the board of economic development to approve these projects every year. If the bill does not pass, there would be a system of approval every year.

### **LC 1341**

Higgins described LC 1341 as the joint resolution recommending the formal establishment of sister relations with the Chinese sister state. This would foster communications between policy makers in both governments. **EXHIBIT (joh00a03)**

**{Tape : 1; Side : A; Approx. Time Counter : 29.7}**

Sen. Taylor asked if passing this resolution meant we would be sending people there in an exchange. Blouke replied it there were a serious commitment to a sister state relationship it would require some resources. He discussed the reason for the formal establishment of the relationship. The department could establish their own relationship but by doing that without the support of the Legislature, resources could not be expended. Sen. Taylor asked why this specific state was chosen. Blouke replied the reason for this province was the similarities to Montana. Guangxi Zhuang also has a sister state relationship with Kumamoto, as does Montana. This would be a three way relationship that would offer opportunities. Similarities include an agriculture resource base, a diversified economy, high development of minerals with a need for environmental remediation and a lack of competition with big states like California.

Sen. Taylor pointed out the difficulties of doing business in China. He asked how economic movement could happen when this was a more social relationship. Blouke replied there are some things that government could do better than the private sector. One of those was protocol, formal government to government relationship that opens doors that the private can't do in the same manner. This was a long term investment because China was a huge economy, where Montana had the opportunity to tap.

**{Tape : 1; Side : A; Approx. Time Counter : 34.2}**

#### **SENATE BILL 18**

Rep. Ohs commented this bill could be endorsed by this committee to give it a little more power but it should be sent to another committee. **EXHIBIT(joh00a04)** Peck noted the 2005 Task Force endorsed this concept, which was the result of working with the agricultural groups. He pointed out there was unanimous agreement on the draft of the bill. Chairman DePratu said it would have a good chance in the regular session.

**{Tape : 1; Side : A; Approx. Time Counter : 36.9}**

Rep. Tuss **MOVED** to endorse the bill and refer to another committee. The question was called. The motion **PASSED** unanimously.

#### **SENATE BILL 26**

Higgins explained Senate Bill 26 **EXHIBIT(joh00a05)**. The bill was requested by the Department of Revenue which had asked to increase the number of agencies on the Board of Review regarding licensing and registration. Section 2 suggested the board include licenses not specified in Section 1 in order to streamline the licensing. He suggested this bill could go through another committee.

**{Tape : 1; Side : A; Approx. Time Counter : 41.3}**

Rep. Ohs recommended this bill be allowed to go through the process by endorsing it and referring it to another committee.

Rep. Tuss **MOVED** to endorse the bill and refer it to another committee. The question was called. The motion **PASSED** unanimously.

## **LC 358**

Rep. Swanson said this was the bill she requested the committee consider **EXHIBIT(joh00a06)**. This bill was brought to her by the State Auditor's Office as a potential stimulus for small business regarding the issue of health care coverage. This would provide a short term incentive to get small business to start buying health insurance for their employees. This could cost up to \$20 million dollars. She suggested the tobacco settlement money would be an appropriate use. Sen. Waterman commented that she didn't have a problem with making this bill contingent on the tobacco settlement money coming available but there were delays and the money could not be banked on. Rep. Swanson proposed this be tied to the tobacco settlement money. One of the reason she wanted to see this in the jobs and income package of bill was because benefits were a large part of an income package. Health care insurance is one of the big needs. Chairman DePratu suggested getting the fiscal note and then deal with this bill during the regular hearings. Rep. Swanson said she would like to keep the bill in this committee.

## **RESEARCH AND DEVELOPMENT**

Sen. Grosfield said the R & D Subcommittee was composed of himself, Sen. Waterman, Rep. Swanson and Rep. Mood. They considered how to fund the R & D. He stressed the importance of research and development for the future improvement of the Montana economy. Funding for research has been problematic in the past. It has been funded every two years within the University budget, and has dealt with a lot of matching money which is undependable. The need to elevate the research and

commercialization effort is strong both for jobs and income and for permanency of funding. A firm state commitment will be a positive factor for federal funding opportunities. The research amounts needed for the next biennium is close to \$15 million dollars. The subcommittee proposed the establishment of a long term commitment starting with the \$15 million dollar level and increasing it over time. A logical way to do that would be to establish a trust within a trust, such as within the Treasure State Endowment, established within the Coal Trust, where it would be an endowment and the interest would go to research. A portion of the permanent Coal Trust generates interest that goes to the endowment would be put in statute. This would reflect \$100 million dollars of Coal Trust set aside which would generate about \$15 million a biennium, depending on interest rates. He explained if you set aside \$100 million dollars today, it would be a year before getting the whole increment at 7 1/2 percent. That would mean there would need to be a general fund appropriation for year one since there would be no income until year two. A research plan or strategy needs to be developed that is applicable to Montana to improve the Montana economy.

Sen. Grosfield discussed the purpose of research. Research did not have immediate results but tried to find opportunity. Rep. Swanson pointed out the subcommittee was in agreement that the matching money would be appropriated to the commission whose oversight would go toward awarding grants to research projects that had potential for creating commercial products for Montana. This would not be basic or pure research but engage in commercial potential. In the \$15 million is the \$3 million dollar request for agricultural research at the experiment stations. This would be agricultural research above and beyond what is already appropriated through the Universities. Sen. Waterman said research should be viewed as industry, part of the foundation like having a personnel officer. This keeps them competitive and on the cutting edge. Research should be funded that could be applied and commercialized in Montana. Agriculture research should be included in this rather than separated, perhaps guaranteed a base amount for the first biennium of at least \$3 million dollars for agriculture. The concerns of keeping them separate would have the board review grants and believe the \$12 million is for research and then \$3 million for agricultural research when there might be four or five million in good agricultural research programs. One segment of the economy should not be separated from the rest of it. Agriculture should not be short changed. A critical part of the Montana economy today is agriculture and must get research dollars. The commission would come up with more specific things that target the research that would have payback for economic development.

Rep. Mood discussed the need for permanent funding in research and development. Past funding had been convoluted.

Sen. Grosfield pointed out the research may not be just product development. It may be a process such as improving the way to mine, log, farm or clean up. It may not be a specific retail product. The main focus is on long term funding to make a commitment to improve the economy. Research enhances traditional parts of the economy.

***{Tape : 1; Side : B; Approx. Time Counter : 9.9}***

Rep. Simon noted a trust within a trust is really talking about general fund and whether there would be another alternative such as a direct diversion of the Coal Tax money and committing a portion of that directly, such as the arts do with the Cultural and Aesthetic Trust. Sen. Grosfield replied that 24% of the Coal Tax trust went direct to the general fund, which was about \$5 million a year. However, the subcommittee tried to develop a way to grow the trust to be able to improve the research method as time went by.

***{Tape : 1; Side : B; Approx. Time Counter : 20.7}***

Rep. Swanson pointed out the need for a dedicated source of funding and a growth of that funding. Reinvestment into the endowment must at least keep up with inflation and would grow to increase the commitment to research. She mentioned Rep. Harper had a bill that may be complimentary for the initial establishment for a trust within a trust. She viewed research and the state matching money to be one of the most positive economic drivers in the state and merits one of the deepest commitments to see the economy grow.

Sen. Waterman pointed out the \$15 million could come directly out of the general fund but there would be no long term commitment.

Sen. Taylor agreed and thought research and development was a key ingredient to the success of any economy. He stressed the need for a "watchdog" on the process. Grants do not always solve problems. The licensing structure and how to get money back when the idea is successful needs to be addressed. For example, the current mechanism allows for resources that we paid for to go out of state, such as the Duponts and the Microsofts because they still own a great proportion of the licensing even though we are funding some of the grants. As this is funded, which should be done permanently, there must be protection or adjustments so not only the resources, natural resources or other things that are created have an opportunity from this research to be able to get jobs and not just academia jobs.

Sen. Grosfield agreed and said there needed to be a focus on licensing. He did not feel confident to get all the details but thought this should be part of the function of the commission. The statute that creates the commission should have language so they will pay attention to licensing.

## HOUSE BILL 184

Rep. Hal Harper, HD 52 in Helena, addressed the committee regarding the research and development component of the bill. He pointed out the trust within a trust concept guarantees there would be funding for the endeavor. He stressed that local governments had been forgotten. The problem was the passage of CI-75 and the implications which would affect infrastructure.

Harper discussed HB 184 which was a bill he had introduced last Session that dealt with these same issues. **EXHIBIT(joh00a07)** HB 184 would beef up the Treasure State Endowment by allocating more of the flow into the trust and also develops a research and development trust. Treasure State Endowment currently uses 50% of the money destined for the trust that is held. The other 50% could be held by a different trust. This proposal would put that 50% into the research and development trust fund for a couple years. This proposal would also establish authority for revenue bonds to be issued. This would allow for plenty of money in future years since the fund would be growing. Local governments need to be part of the equation.

Sen. Waterman suggested looking at the bill draft and either scheduling the bill or forward it to another committee. Rep. Simon noted the importance of making a bold statement to turn the economy around. The bill package would have to reflect that statement.

**{Tape : 1; Side : B; Approx. Time Counter : 47.4}**

Sen. Taylor **MOVED** to review HB 184 at the next committee meeting. The question was called. The motion **PASSED** unanimously.

## LC 307

Sen. Mahlum presented LC 307 **EXHIBIT(joh00a08)**. He said the bill would impose a 6 percent surcharge on rental vehicles and require rental vehicle owners and operators to obtain a permit from the Department of Revenue. Excess revenue from the surcharge would go to the Montana heritage preservation development account. The



intent of this money would be for restoration, maintenance and operation of historic properties in Virginia City and Nevada City, purchasing, restoring and maintaining historically significant properties in and from Montana; helping small communities maintain their lifestyle such as working Main Street America or Main Street Montana.

Sen. Mahlum discussed the Main Street program. The program could be funded by people traveling to the state during the year by using 20-22% of the fund out the 6% surcharge from the rental cars. Montana Main Street has a historic preservation program that concentrated on revitalizing small town business districts that want to be helped especially considering today's mass merchandisers. The program is designed to stimulate economic revitalization and historic preservation of downtown commercial areas with the state of Montana through using local initiatives and using the Main Street Program.

Rep. Swanson asked about the possible effect on the flat tax. She asked if the language referring to Virginia City and Nevada City would be left more open. Sen. Mahlum said the language would reflect additional historical properties. Rep. Swanson asked about specific use of the Main Street Program where it said it would enhance the lifestyle of Montana communities. Sen. Mahlum said he wanted more general language so it would encompass both East and West.

Sen. Waterman asked about the flat tax effect. She said it was her understanding that one of the reasons the rental industry supported this was because they are not competitive now because of the high tax. A flat tax would give them the incentive without the rebate. She wondered if \$25 would be an incentive. Would they be supportive of a 6% tax if there was only a small rebate? Sen. Mahlum replied the industry would be supportive.

Sen. Taylor voiced concerns about outside companies having an advantage over Montana companies in licensing. Sen. Mahlum said he would work with Dave Galt and with the Department of Revenue regarding this issue.

**{Tape : 2; Side : A; Approx. Time Counter : 6.1}**

Rep. Simon asked where the bill talked about the Main Street Program. Sen. Mahlum replied it did refer to the Main Street America in the bill. Rep. Simon noted his copy of the bill did not talk about the heritage program. Sen. Mahlum assured the committee the bill would be updated. Rep. Swanson requested the new draft as soon as it was available.

Sen. Tester asked if the bill designated 20% to the Main Street Program. Sen. Mahlum said a number was not designated, however 20% was what it took to fund it. If the flat tax passed this amount would not be needed. Sen. Waterman suggested adding up to a dollar amount with some sort of inflation factor.

Rep. Mood questioned why a business would come to the state to ask to be taxed. If they needed more money to pay their license fees why didn't they just raise rates? Rep. Ohs said it was because they were in a competitive situation. None of the other states have this excessive cost. The rental car companies are at a disadvantage doing business in Montana.

Alec Hanson commented on the Main Street Program. He looked at a lot of problems and programs through the League of Cities and Towns. He stated for \$160,000, Main Street America offered more positive, down the road possibility for real pay off than any program he had ever seen. He noted the programs in Oklahoma and Texas, the most compelling statistic from the program before they started Main Street they had an 80% vacancy rate for their downtown business district. After six years of working through this program they had businesses waiting in line on a list to open up in that downtown area. The small towns in this state, particularly in Eastern Montana are dying out. If you want to send a signal that we care about them and they are important, this is one of the best programs possible.

**{Tape : 2; Side : A; Approx. Time Counter : 16.1}**

Sen. Mahlum read his notes from an August meeting. He wrote: Main Street Montana will be a saving factor for small towns in Montana. This is basically what Montana is made of. Everyone here has roots to a small town in Montana. Think of the empty store fronts that now exist that this program would heal. This was not an East or a West issue. The money would be used to help turn around small businesses for approved businesses through application.

**{Tape : 2; Side : A; Approx. Time Counter : 18.9}**

Rep. Swanson discussed the need for a contingency plan since this program would need to justify revenues and why it was needed. Chairman DePratu agreed that contingency language was needed and that the bill would be reviewed again by the committee after the revision.

#### Research and Development Subcommittee Report

Sen. Waterman noted the research and development may need to be a separate bill. The funding mechanism issue would need attention. Rep. Ohs suggested a separate bill with a statement of importance

of research coordinated with the board bill. Sen. Taylor noted the funding sources were not in this board. The board sets policy and reviews programs. The funding mechanism must stand alone. He stated this was making a major change in the way we are doing policy and procedures. He asked who would we be taking money away from by doing this. What other programs needed the money? For this reason, it has to be a separate bill, directed towards building the research trust money.

**{Tape : 2; Side : A; Approx. Time Counter : 21.9}**

Sen. Waterman pointed out the need for a funding amount in order to bring the package forward. Sen. Taylor said the new commission would oversee projects, be able to meet benchmarks, report to the Legislature and would need that authority.

**{Tape : 2; Side : A; Approx. Time Counter : 38.5}**

Rep. Swanson supported the idea of separating the large commission where their authority would be to research the research granting mechanism. A separate bill would address the funding and how the money would be administered so there would be a link back to the commission. When discussing the funding for the administration for that commission, giving all those responsibilities we are creating a mini-agency. That needs to be separate.

**{Tape : 2; Side : A; Approx. Time Counter : 41.4}**

Higgins commented it was a large board bill and the language regarding research and commercialization does provide oversight of screening of types of projects. The bill does consider the appropriations for the administration separately, to pay for the costs of doing all these things. Developing a funding mechanism will tie in directly.

## **LC 1224**

Higgins reviewed LC 1224 regarding establishing the revitalization commission. **EXHIBIT(joh00a09)**. He discussed the importance of positive language, a purpose section to establish a permanent state for economic development, a continuity of policy between administrations and Legislatures that come and go, an accountability for the policy through regular updates through the Legislature and the executive branch, and provide a forum for public participation, allowing this board to be approachable and reachable by members of the public as they come up with concerns about economic development in general. He clarified the membership on the board was 15 members, 13 appointed by the Governor and 2 by the Speaker of the House and the Senate President-one each. Each of the legislative members must be from different political parties. The Governor's appointees would be

provided by a nomination of the affected industries and be nominated within 30 days of the affected date of the act. The reason for the 30 days was the Senate must confirm the nominations since this was a quasi-judicial board. He discussed the types of members and their qualifications.

Higgins pointed out the need to determine at what point the board responsibility start or end and the coordination between the board and the Department of Commerce. Language should ensure there would be no duplication of effort. He suggested adding ex-officio members to the board to help with coordination to increase cooperation and to ensure efforts were not duplicated.

The committee discussed the various benchmarks. Sen. Taylor thought the wording "increase irrigated acres" would be better than stating the exact number of acres. Doubling economic value of agriculture and doubling the value of the livestock industry was better worded than giving an exact figure, such as one million hogs.

**{Tape : 2; Side : B; Approx. Time Counter : 15.6}**

Blouke talked about the film issue could be put in another bill since it was related to economic development in the current Film Office within the Department of Commerce Travel Promotion Bureau.

Sen. Taylor **MOVED** to call the new board "Commission". Sen. Grosfield read a list of words that might fit. Rep. Simon commented the name was too wordy. Chairman DePratu said the "Jobs and Income" already had a positive spin with the public.

Sen. Grosfield made a **SUBSTITUTE MOTION** to call it the Montana Jobs and Income Commission. The question was called. The motion **PASSED UNANIMOUSLY**.

Rep. Swanson pointed out Section 3, the three project managers should not be called "subcommittees" but a better term that was defined was important. Higgins said the choice would need definition. Rep. Ohs commented committee was a good term. Sen. Grosfield suggested using Board of Research, Board of Marketing. Sen. Waterman commented that she did not like the word manager since it did not have enough stature. Sen. Taylor pointed out these positions were working and not "overseers". Rep. Swanson said their position descriptions had not been determined. Chairman DePratu told the committee to come up with a name for them now and come back to their duties later.

**{Tape : 2; Side : B; Approx. Time Counter : 50.1}**

Rep. Swanson **MOVED** to call them "administrators". Rep. Tuss made a **SUBSTITUTE MOTION** to call them "program specialists". She said each of the programs would be staffed with knowledgeable people. The question was called. The motion PASSED 8-2, with Sen. Waterman and Grosfield voting no.

**{Tape : 2; Side : B; Approx. Time Counter : 54.8}**

#### Section 4

Sen. Taylor discussed the reference to "owning" the company. He noted a retired person may be in a position to serve on the commission and may represent small business. Sen. Waterman suggested someone should be working in the business. Sen. Taylor said the opportunity should be open since a retired person may not own the business right then but may have sold it. Sen. Grosfield suggested as long as they had business experience in the state. Rep. Simon noted the importance of being either an owner or a former owner.

Rep. Simon **MOVED** item "a" and "m" to specifically require members be owners or former owners of businesses. Rep. Tuss asked if he meant in "d, e, f, h" the word "own" be eliminated and use "owner" or "former owner". Rep. Simon said if you say own or represent, even a retired person could serve. However, "a" and "m" should say a person has to either be an owner or have been an owner of the business. The question was called. The motion **PASSED UNANIMOUSLY**.

Sen. Taylor noted there should be at least three names recommended from their industry so the Governor would have at least three choices. Sen. Tester pointed out there were many groups that represented agriculture. He asked how it would be determined which group would get to nominate. The committee discussed appointment procedures and terms. Sen. Waterman pointed out the need to keep this a quasi-judicial board and have the Governor appoint the chair since this was a critical person. The chair of this commission should be the spokesperson for economic development in the state of Montana. Sen. Taylor said the problem is this could be a political decision. Sen. Waterman asked if this should be considered as an annual election. Rep. Ohs agreed the chair should be re-elected annually to make sure they were doing a good job.

**{Tape : 3; Side : A; Approx. Time Counter : 3}**

Sen. Taylor asked if an ex-officio liaison member should be appointed that tied together with the agency for communication from the agency to the board, which would be an ongoing member.

One member should be enough to advise the project people, designated from Commerce.

**{Tape : 3; Side : A; Approx. Time Counter : 27.3}**

Sen. Taylor **MOVED** to include an ex-officio member to be the liaison as the Governor's designee, as an ongoing member.

Rep. Simon asked if the Board of Investments or the Board of Housing had an ex-officio member. Blouke replied the Board of Investments did not have a state agency member on it. However, this board is playing a different role. Ralph Peck noted the Wheat and Barley Committee, the Alfalfa Seed Committee and Mint Committee all had an agency member. Sen. Tester thought it was important to have both Agriculture and Commerce members on the commission. Part of the job of the Commission would impact both Agriculture and Commerce significantly.

Sen. Grosfield pointed out both Commerce and Agriculture Departments would attend Commission meetings anyway. Sen. Waterman stressed there was significant appropriations made to both departments including staff. It was not enough that they show up. They needed to be at the table, as active participants. The Commission would be overseeing and interacting with both departments. Sen. Taylor agreed but someone from minerals could make the argument in natural resources that they should have somebody as an ex-officio. He felt one member appointed by the Governor made sense. The Governor needed somebody they could relate to and maybe send messages to at least present their positions.

Sen. Waterman **MOVED A SUBSTITUTE MOTION** that there be a non-voting member being the Director of the Department of Commerce and the Director of the Department of Agriculture.

Rep. Simon argued against both motions. He commented that if both directors were in the Commission meeting, the tenure of the discussion would be different because they would be trying to argue a particular point of view. It is difficult to have oversight over people that are sitting at your table. Ex-officio members could be present as resource people and report what is going on with this Commission without being at the table.

Rep. Ohs commented that the Heritage Commission had both the director of Fish and Game and the Historical Society and it works very well. They keep the Commission and the government agencies tied together. They have a perspective on public policies that otherwise may not be there. He thought an ex-officio from the Department of Commerce and the Department of Agriculture would be needed.

Sen. Taylor said he still believed one would be enough so he would vote against the second amendment.

The question was called on the substitute motion calling for an ex-officio member from both departments of Commerce and Agriculture. The motion **FAILED** on a tie vote 5-5. Reps. Tuss and Simon, Sens. Taylor, DePratu and Grosfield voted no.

The question was called on the main motion that the Governor would appoint the ex-officio. The motion **FAILED** 5-5 on a tie vote. Reps. Tuss and Simon, Sens. Tester, Waterman and DePratu voted no.

Sen. Taylor **MOVED** to have the chair of the board be elected by the members at an annual election. The question was called. The motion **PASSED UNANIMOUSLY**.

#### Section 5-Meetings and Compensation

Rep. Simon thought a requirement to meet monthly would be inappropriate. He **MOVED** this be changed to meet quarterly.

Sen. Waterman indicated the compensation for members should be \$50 a day not \$100. She pointed out this would be a very expensive board at \$250 thousand dollars a year. Sen. Taylor stated the \$100 dollars a day would attract quality individuals. He said several other boards in other states pay this much to get quality people. These quality individuals are being asked to leave their businesses to attend these meetings. We have to go away from government policy. We have been doing things the same for so long that haven't worked. We have to pay these people a certain amount of money to keep them. He said he would strongly resist the \$50. If it were \$50 dollars that would make or break this board it would not stand for itself. He thought six meetings a year, or setting a number, would allow the administrators and the project people the ability to make decisions all the time. This was necessary to function properly because they can't wait for the board to make decisions.

Rep. Tuss said it was significant and important how well the Commission carried out all the charges they have been given. There were two groups to consider, the Commission and the committees. She discussed the time that would be needed to do their work including the strategic plan and the benchmarks. The committee needed to meet no less than seven times a year, tied to the full Commission meeting at three times a year. This would get the work done and keep the cost down.

Rep. Swanson noted this would be putting the cart before the horse. The cart is what are they going to be doing at their meeting and the horse is how many meetings. Until the function of the groups is resolved there is no point in designating how many times they meet. The full board may only want to meet once or twice a year. The smaller groups are actually functioning committees where they have jobs to do such as going out and recruiting.

**{Tape : 3; Side : A; Approx. Time Counter : 45.3}**

Rep. Ohs said he supported Rep. Simon's motion. He pointed out the committee was trying to micro-manage. The board would probably meet at least quarterly and the subcommittees would meet the evening before. If they do not meet at least quarterly it would weaken the focus.

Rep. Simon said his motion was to eliminate each month and say "shall meet at least quarterly". Monthly is excessive and quarterly is a middle ground and creates a guideline. This would not preclude them from meeting more often.

The question was called. The motion **PASSED** with one no vote by Rep. Tuss.

#### Section 6

Sen. Taylor addressed the qualifications for the director. He said he would like the director to be able to travel and have public speaking abilities. Sen. Grosfield noted the Commission hired the director and this would be micro-managing again. Sen. Taylor asked that it be spelled out. Rep. Simon asked if this would be putting too many qualifications on the job. The person would have to be a jack of every trade in order to be included. Sen. Taylor suggested the board create the job description.

Rep. Swanson discussed the work done by Linda Reed. Reed started out with a statement of intent then goes into the purpose. The issue of criteria for executive director was detailed in her report giving the Commission the responsibility of hiring, directing and prescribing the duties of the director**{Tape : 3; Side : B; Approx. Time Counter : 3.1}**.

The committee decided to give Higgins the wording to rework the bill along those lines.

Sen. Taylor suggested being more specific with the managers. Rep. Ohs pointed out this was putting it into law and should not be too specific. If the guidelines were broad the commission would pick the best person.



Sen. Waterman **MOVED** that Higgins draft language to allow the Commission to employ an executive director and describe the duties and salaries. The question was called. The motion **PASSED UNANIMOUSLY**.

Rep. Swanson asked about the wording in section 6 that said "additional staff not exceed two persons". This would be tying it down. The constraint would be budgetary. Sen. Taylor commented that two staff did not work since assistants would be needed for each of the three managers.

**{Tape : 3; Side : B; Approx. Time Counter : 11.3}**

Sen. Taylor **MOVED** that the executive director may hire additional staff as necessary within the budget. The question was called. The motion **PASSED** unanimously.

#### Section 7 and 8

Sen. Grosfield noted section 7 was the most important. He thought the section needed more work since it should be oriented towards more specific policy. The Commission would need more direction such as enhancing basic industries and recruiting businesses. Sen. Taylor commented this had to be an action board that could work in conjunction with existing programs. Rep. Swanson agreed as long as the Commission did not duplicate what the departments do.

**{Tape : 3; Side : B; Approx. Time Counter : 26.9}**

Rep. Ohs pointed out the need for oversight responsibilities to make sure these economic programs were working. Sen. Waterman asked who the board would report to. She asked if this would be another slick book the Legislators would get. She said it seemed it they were responsible to the Legislature then there should be one benchmark. The Commission should report to the Legislature to show what they have done to reach that policy. There should be measurable objectives and goals, such as how many jobs they created, how much value did they add to the product, did they double agriculture or only get a third of the way there. She said she did not want the executive director flying all over the place but it would be better if this was delegated to the local development councils around the state who had the expertise.

Sen. Taylor agreed that the executive director would coordinate with the local development areas. The main person would need to coordinate the recruitment. They might pass them off to a regional director but there needed to be a "point man like a Bob Potter". Sen. Taylor said there needed to be specifics for benchmarks, such as Sen. Grosfield had started to list. The

benchmarks would go back to the Jobs Plus list and they needed to be active statements. Chairman DePratu reminded the committee that 1998 would be used as a base year.

***{Tape : 3; Side : B; Approx. Time Counter : 42}***

Rep. Mood said goals and tactics were being confused. The next bill had specific goals stated. The object of the legislation is to state what the goals are, give some general direction and let the Commission decide their own tactics and hold them accountable. LC 1225 would be folded into this to cover the problem.

### Section 9, 10 and 11

Chairman DePratu commented that these three sections dealt with the project manager duties. Rep. Ohs suggested leaving out the time schedule of one month. Any group that gets together needs to do this quickly. It should just say they shall do it.

Sen. Grosfield suggested the statewide research and commercialization strategic plan be more specific. This needed more detail. It should talk about developing a consistent plan with the overall plan for the state. There should be detail to cover value adding. The research should be oriented toward basic industry and businesses as long as they bring in money from the outside. This should also address new sectors or niches and that should be in the strategic plan.

***{Tape : 3; Side : B; Approx. Time Counter : 59.3}***

Sen. Tester noted his concern that research and commercialization should also address Montana's production agriculture. He pointed out that Sen. Waterman had talked about putting all the research money into one pool. He suggested having a baseline that would have to be spent on production agriculture, maybe 20% of the \$15 million. If they would exceed that there would be other opportunities.

Rep. Swanson suggested reviewing Linda Reed's wording for general guidelines. Rep. Mood noted the concern was the research at the university level did not have a good reputation. We do not want to spend state money for job security for university professors. We want to spend our money so that money is going for research that benefits the state. The goal would be the production of spin-off jobs from that research. General guidelines should be given to the subcommittee to make determinations about whether or not the projects that are brought before them meet those guidelines. The guidelines should specifically refer to creating

jobs and creating value to products that benefit Montana. Let them determine their own tactics.

Sen. Taylor said he would like to see a review of the research and development of the university system and report back on the effective programs. He asked Higgins to be more specific on the research and commercialization part. Sen. Waterman suggested the Agricultural Extension be included in this review. This would be specific to the ones they fund.

**{Tape : 4; Side : A; Approx. Time Counter : 4.1}**

Sen. Grosfield asked that a statement reflect that Montana had a significant long term commitment to research to demonstrate to the feds in order to get the matching money, a policy statement in black and white in the statute.

Sen. Tester directed that 20% of the research and development be dedicated to agriculture. Sen. Grosfield spoke about the need for the bill to reflect at least 20%. He said another approach might be to say at least 50% go to existing basic industry. This would cover agriculture, minerals and wood products. The net result of that would be agriculture ending up with 30-40%. Sen. Tester noted that research for agriculture is a concern for those living in Eastern Montana. Sen. Taylor said he was uncomfortable with percentages.

Sen. Tester **MOVED** to add "at least 20% of research and commercialization be used for production agriculture". This includes livestock. The question was called. The motion **PASSED UNANIMOUSLY**.

Chairman DePratu directed the committee to discuss the appropriation issue. Blouke discussed the costs of the research committee. He said these would come out of the appropriation for research and development. Sen. Waterman voiced concerns that the money appropriated for the meetings would use up all the money before the local communities could use it for economic development. Blouke suggested a figure be added to get the bill out of committee. He would then calculate costs to hold a meeting to come up with some operational costs. This would be \$1.8 million with the addition of that figure.

**ADJOURNMENT**

**Adjournment:** 6:20 P.M.

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SEN. BOB DEPRATU, Chairman

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COMMITTEE ON JOBS AND INCOME

December 30, 1998

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DEB THOMPSON, Secretary

BD/dt

**EXHIBIT** (joh00aad)